

Joseph E. Stiglitz's Research Group Annual Meeting
Columbia University
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Sovereign Debt, the International Financial Architecture, and Power Dynamics

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Goals of research agenda

- 1. Create knowledge on the design of an international financial architecture that promotes stable, long-term, and sufficiently cheap finance**
 - Key for macroeconomic stability and productive development
- 2. Influence the global policy and push for reforms (internationally and domestically) aligned with the goal #1**

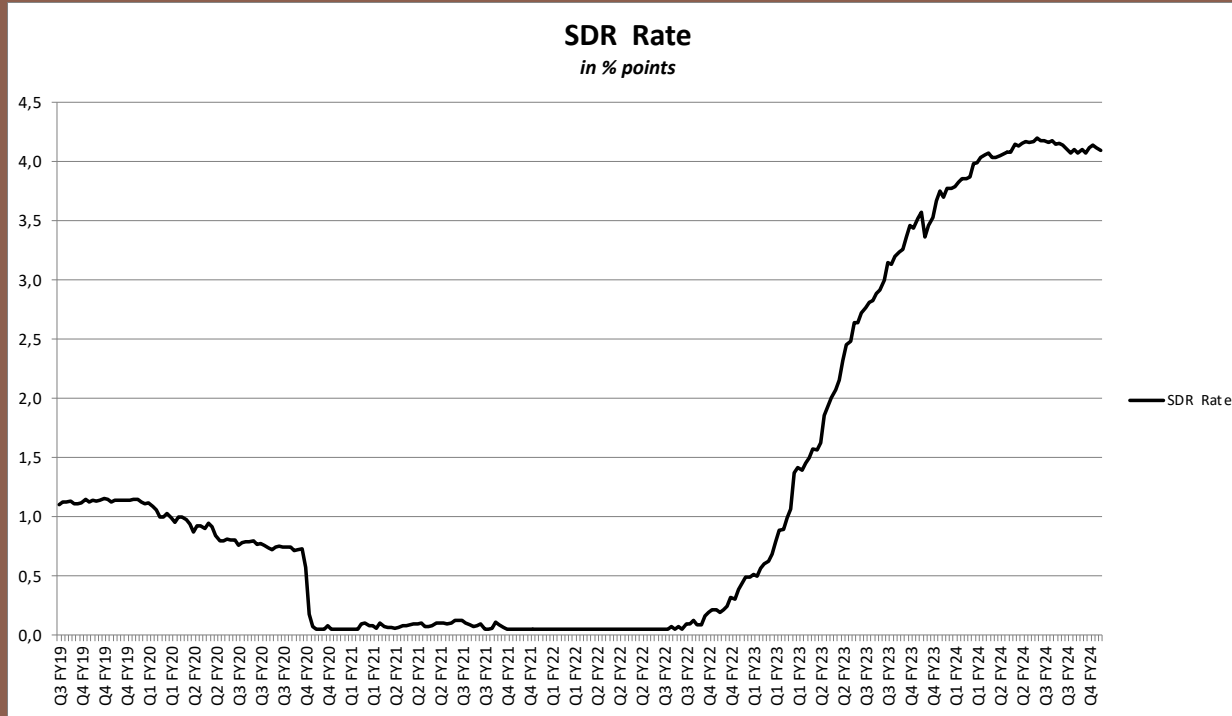
The international financial system: environment

1. In an Arrow-Debreu environment, financing for development is not a theme
2. The actual environment is featured by
 - Power → it matters for the rules of the game
 - Asymmetries → both informational as well as those determined by power, that in turn enhance the asymmetries (e.g. the role of reserve currencies; the procyclicality of capital flows for developing nations; the SDRi)
 - Externalities (micro and macro)

The international financial system: research and policy themes

1. A mechanism for restructuring unsustainable sovereign debts
2. The legislation of major financial jurisdictions for sovereign debt (mainly New York State)
3. Domestic legislation for debt policies (with FES)
4. Debt sustainability analysis: theory and practice
5. The problem of comparable treatment in sovereign debt restructuring
6. Local vs foreign currency debt in sovereign restructurings
7. A proposal for addressing the current debt crises in the South → *Jubilee Commission* for Pope Francis chaired by Joseph E. Stiglitz
8. Special Drawing Rights
9. The IMF interest rate policies
10. The role of capital account regulations for the development of local capital markets

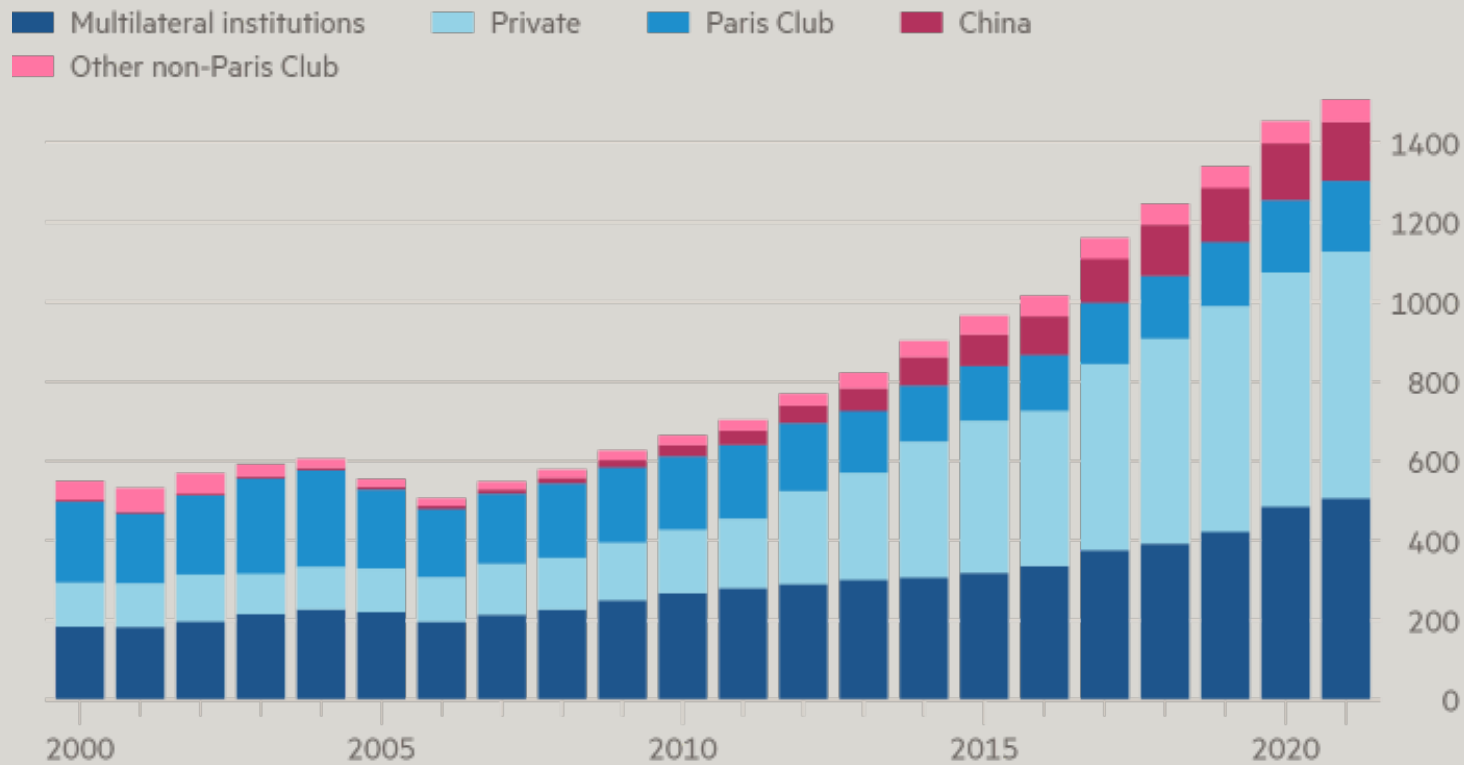
The SDR rate is determined by monetary policy in AEs



Data Appendix

The external debt of poorer countries has surged since 2000

External public debt of low and lower-middle income countries, by creditor (\$bn)



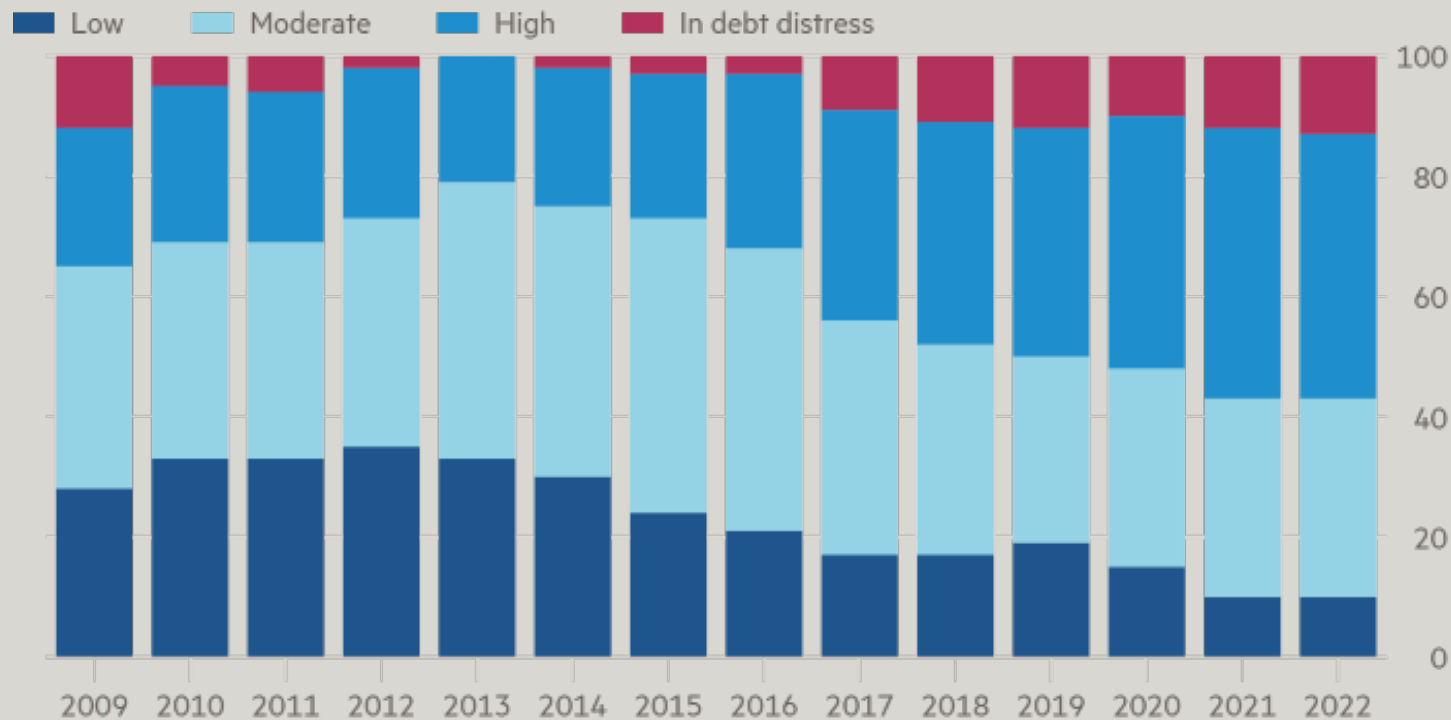
Source: World Bank

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The proportion of poor countries at risk of debt distress has soared

Risk of debt distress (% of DSSI countries with DSA*)



* G20 Debt Service Suspension Initiative countries with Debt Sustainability Analyses

Source: IMF

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Net transfers on LT External Debt to LLMICs

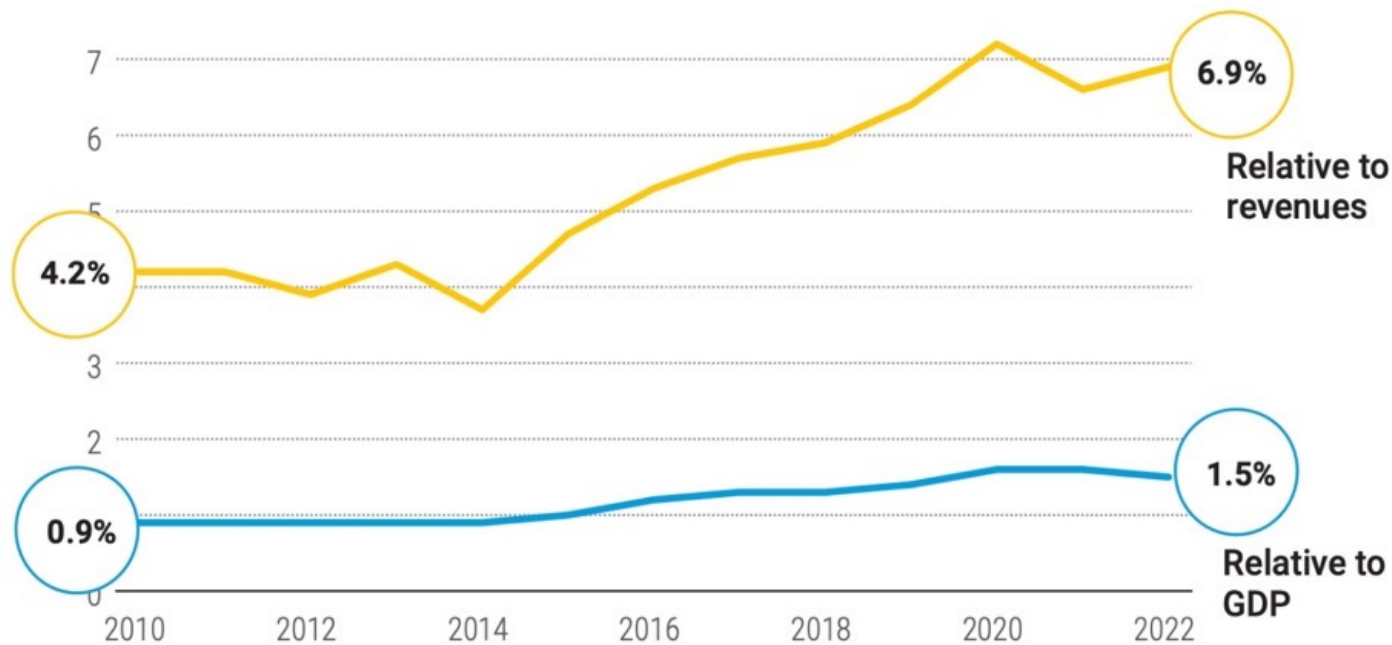
(Diwan-Guzman-Kessler-Songwe-Stiglitz 2024)

	Total NT TL debt	IFIs	Bilateral creditors	China loans	Private lenders
2019	84.4	28.9	1.7	4.6	54.3
2020	55.2	68.3	8.6	0.9	3.0
2021	45.4	27.3	6.4	3.5	11.0
2022	-15.7	32.2	9.8	-6.1	-51.2

Total negative net transfers (NT), with positive NT from International Financial Institutions (IFIs) and large negative NT to private creditors

Figure 8: Developing countries use more resources to pay interest on their public debt

Net interest payments of developing countries as a share of GDP and government revenues



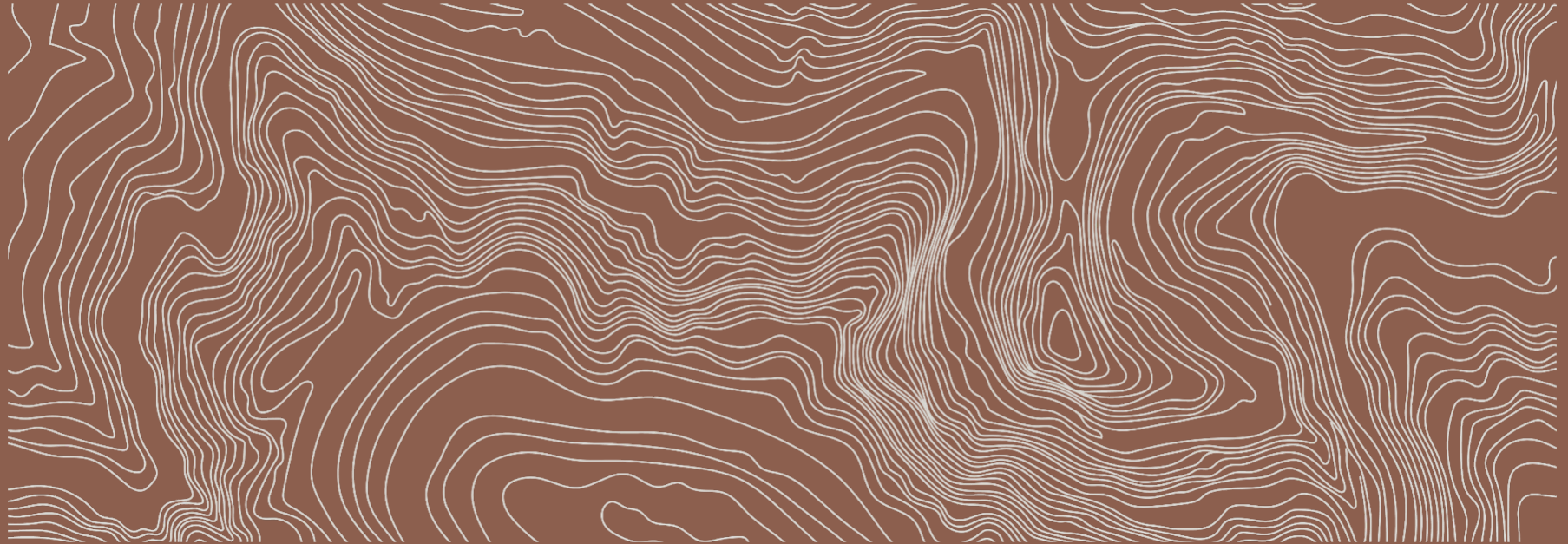
Sources: UN Global Crisis Response Group calculations, on IMF World Economic Outlook (April 2023).

Note: Median shares across developing countries.

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Thank you



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